



# Bulletin

SEMI-ANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS ■ FALL 1999

## Benefits Increased for the Second Year in a Row

Last year the Legislature and governor rewarded teachers still working by increasing retirement benefits for those staying longer in the classroom. This year, the Legislature rewarded retired members with special needs when it passed benefit enhancements before it adjourned in September. Two bills on the last day of the session were sent to Gov. Gray Davis' desk for approval. The governor signed one and vetoed the other on October 10.

Gov. Davis approved legislation that guarantees a minimum allowance of \$15,000 annually for retired members with at least 20 years of service credit. This amount increases incrementally to a maximum allowance of \$20,000 annually for retired members with 30 or more years of service credit. This benefit will help approximately 23,000 of the oldest and poorest of the retired educators, some with an annual allowance of less than \$10,000.

The legislation vetoed by Gov. Davis would have extended to

those who retired in 1998 the benefits passed that year that became effective 1999. In addition, teachers who retired before 1998, reinstate to membership for at least one year and earn a total of at least 30 years of credit will have their allowance increased to reflect the 0.2 percent career bonus for all their years of service. In his veto message, the governor stated his objection to enacting a "retroactive" measure. Gov. Davis stated a desire that funds should be held in reserve for costs associated with a health care benefit program for CalSTRS members.

### Coalition Worked for Benefits

The 1999 benefit increase resulted from efforts by the "retirement coalition," comprised of organizations representing CalSTRS members. The coalition presented the Legislature with several bills increasing a range of benefits for both active and retired educators.

In the final days of the legislative session the coalition was

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## New Features and More Lenders for Home Loan Program

CalSTRS recently put the finishing touches on several enhancements to the home loan program, making it more convenient for members and more competitive in the mortgage loan environment. Now you can arrange for a new loan or refinance an existing one in any of hundreds of mortgage loan offices around the state. Your loan terms and conditions are competitive with other programs in California and CalSTRS has a new "no points, no fees" option. Both Defined Benefit Program members and Cash Balance Benefit Program participants can obtain loans through the CalSTRS home loan program.

A major change is the addition of nine mortgage loan companies, for a total of eleven participating CalSTRS lenders, making it possible to find a

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**New Look**  
We have changed our look! In response to feedback from members, we have added more color and a contemporary look to our *Bulletin* pages. We hope you like the changes.

#### CalSTRS Vision Statement

CalSTRS is committed to lifetime security and service that meets the changing needs of California's educators.

#### State of California

Gray Davis, Governor  
Aileen Adams, State and Consumer Services Secretary

#### Teachers' Retirement Board

Emma Zink, Chairperson  
Lillian Raffel, Vice Chairperson  
Yvonne Gallegos Bodle, Ph. D.  
George Fenimore  
Gary Lynes  
Marty Mathiesen  
Phil Angelides, State Treasurer  
Kathleen Connell, State Controller  
Delaine Easton, Superintendent of Public Instruction  
B. Timothy Gage, Director of Finance

James D. Mosman, Chief Executive Officer  
Patrick Mitchell, Chief Investment Officer  
Jennifer DuCray-Morrill, Chief External Affairs Officer

Sherry Reser, Managing Editor  
Susan Skeoch, Editor

Information in this publication about teachers' retirement law or policy is meant as a guide only. If a conflict arises between information contained in this publication and the law, the law takes precedence.

The CalSTRS *Bulletin* is published twice a year for members of the California State Teachers' Retirement System. Comments or suggestions may be directed to: Editor, Public Affairs, MS #34, P.O. Box 15275, Sacramento CA 95851



Printed on recycled paper

# Message from the Chair

By Emma Zink, Chair  
Teachers' Retirement Board

**T**he health benefits study process rolls along nicely. In 1998, legislation passed requiring CalSTRS to study the feasibility of providing health care benefits to active members and benefit recipients, which would be funded by participants and/or employers.

Staff worked with William H. Mercer, Inc. to develop a survey questionnaire and send it to a cross section of employers, members and benefit recipients. About 38 percent of the 6,000 active members, a whopping 60 percent of the 4,000 benefit recipients and 29 percent of employers returned their surveys. These are very high response rates for a mail survey and I want to thank everyone who took the time to complete the complex, lengthy questionnaire!

The responses have been tabulated and verified by Mercer technical staff. The survey results will be used to develop a report to be presented to the Teachers' Retirement Board in November. The report will discuss the need and demand for a health care program, an appropriate health care program design and a method of administering and financing the program.



However, I'm happy to tell you the state has already directed CalSTRS to proceed to the next phase of the process. On October 10, Gov. Gray Davis signed into law legislation *requiring* CalSTRS to develop a health care benefit program. The feasibility study's report will be used as a basis for the board to determine the type of health benefit program to be designed.

Additional legislation will be needed to actually implement the program to be developed. Gov. Davis has already indicated his desire to see a program put in place. In a message accompanying his action on other legislation, Gov. Davis said he wanted to reserve CalSTRS funds for its costs in implementing a future health care benefit program.

I'm very encouraged by this latest news and I hope you are too. You can keep current as we move forward with the health care benefits study and program development by checking the CalSTRS Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov). ■

Anybody who watches television, reads magazines and newspapers or receives advertisements through the mail cannot miss the overwhelming references to the Internet. The ubiquitous nature of Web sites and e-mail addresses offered by all types of business has become a part of our world, and for good reason! Through use of the Internet, access to most Web sites is available almost anytime, from the privacy and convenience of a person's home or work place. Further, gaining access to the Internet through use of personal computers and special software is very easy (we don't have to be computer experts to accomplish Internet contact).

### **E-Commerce: Here Today Much Bigger Tomorrow**

The fixture of the Internet in our society has resulted in many businesses and governmental agencies exploring ways to lever-

## **Ask the Chief**

By James D. Mosman  
Chief Executive Officer

### **Will CalSTRS members be able someday to access directly their accounts through the Internet?**

age its potential for providing information and conducting business. The term for conducting business over the Internet is called "e-commerce." Through e-commerce, a person can purchase items such as clothing, tools, gardening supplies, books and music CDs—literally everything from soup to nuts! Additionally, a person can use the Internet to conduct personal business relating to education, travel, banking,



alone is projected to reach \$100 billion in retail sales during the next three years. "E-business," the business-to-business version of e-commerce, is projected to top \$1 trillion during this same period.

### **E-Commerce at CalSTRS**

CalSTRS management has recognized the potential of the Internet and associated e-commerce. Very early in the "Internet Age," CalSTRS appreciated the service delivery possibilities of this

ology to better serve members. What made this an easy fit for the demographics of our membership. As professional educators, most members are personal computer and Internet literate, and with the increasing access either at home or at the school site, most members can access CalSTRS through the Web.

Currently, CalSTRS has a content-rich and user-friendly site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov). As good as the site may be, it remains an information-

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## Chief *continued from page 3*

providing only appliance. To further gain from the value of the Internet, CalSTRS must embrace e-commerce.

To this end, we are in the middle of a technology leap. Recently, a wide-area network was developed and installed at CalSTRS. Next year, a new corporate information system to track and maintain all member accounts will be activated. Following that, a corporate imaging and workflow system will be acquired. Finally, a type of technology called a data warehouse will be established. Once this new suite of technology is in place, we will be positioned to begin offering members e-commerce service.

With proper security protocols in place, we envision members being able to access their accounts and:

- obtain estimates of benefits direct from the CalSTRS data base
- request statements of account
- request to purchase sabbatical and other types of uncredited service
- purchase service previously refunded
- change their home addresses

Further extending this direct access will be the ability to apply for retirement through this medium and immediately receive back the award letter, which

acknowledges the retirement and provides specific benefit calculation and amount data. This would replace the paper application and mailing process for those persons using the Internet.

For those already retired, we hope to allow the changing of home addresses, income tax withholding preferences and direct deposit information. Further, members could obtain the current year's 1099R income tax forms as well as those for previous years.

To speed processing of benefits such as for survivors and disabled members through the Internet, we will link with business partners such as employers, maintainers of vital statistics, examining doctors and vocational rehabilitation providers. With this linkage, we can immediately receive and process reports from those sources, which are needed to process applications for benefits.

For those of us who work here at CalSTRS serving you, we are very excited about this plan for the future. We believe this plan will permit easy, immediate and secure access to your CalSTRS account

**Next year, a new corporate information system to track and maintain all member accounts will be activated.**

and will allow you to transact many types of business with us from where you want and when you want. ■

## Benefits *continued from page 1*

unable to reach agreement on a larger benefit package that would be assured of approval by the Legislature and the governor. Therefore, only those issues with consensus from the coalition members reached the governor's desk.

"It happens in politics just like in horse racing, sometimes not all starters cross the finish line," said Teachers' Retirement Board chairperson Emma Zink. "We'll redouble our efforts in 2000 as we enter the last year of this legislative session."

### **Board Sets Priorities**

This historic second consecutive year of benefit increases is possibly due to continued excellent investment returns, creating a retirement fund pushing \$100 billion. In the enviable position of having excess investment earnings, at its August meeting the board established priorities for benefit increases to be funded from excess earnings.

In September, the board discussed possible benefit enhancements that would be funded from those assets. An audit of the board's consulting actuary cost estimates of the 1998 benefit package showed less excess earnings than originally projected. The available funds were not sufficient this year to provide all the benefits proposed by the CalSTRS membership organizations. However, the board and retirement coalition expect that continued strong investment returns will provide opportunities for future benefits. ■



# 5...4...3...2...1

## CalSTRS Computer System is Year 2000 Ready

**C**alSTRS is ready for the year 2000. Earlier this year, the CalSTRS Y2K project team completed a comprehensive Y2K update effort on the online computer system, the primary mission-critical system used by CalSTRS. All activities that impact active member and benefit recipient accounts occur within this system. The computer system is now fully tested to be Y2K compliant and CalSTRS is already processing benefit payments in a Y2K compliant environment.

### CalSTRS' Year 2000 Efforts

In carrying out its mission, CalSTRS interacts with a number of outside entities. One of the most significant partners is the California State Controller's Office. The SCO prepares CalSTRS' checks and processes electronic funds

transfer payments to members' banks. To ensure uninterrupted payment of benefits, CalSTRS and SCO performed a joint, *successful* test to process benefit payment information and generate payments.

CalSTRS must anticipate that, despite CalSTRS staff's best efforts, some areas beyond its control, such as utilities, telephone systems, and banking infrastructures may not have their Y2K compliance issues resolved on time. To address such risks, CalSTRS has begun a contingency planning effort to reduce the risk of Y2K problems affecting minor business processes and systems.

### A Storm (Maybe), Not A Catastrophe

As December 31, 1999, draws closer, experts across all industries are beginning to announce completion of Y2K computer remediation efforts. In a recent Y2K discussion, a leading international authority on information technology advised citizens to prepare for Y2K problems as they would for a storm—not an apocalypse—and that 90 percent of systems that do fail will be corrected within three days. Therefore, for most people, planning for

year 2000 issues requires only getting through January 2000. Preparing for the new millennium should be much like preparing for a storm that will last less than a week. See below for some tips on preparing for January 2000.

### Y2K Personal Protection Tips

- Keep a paper trail of all your financial records, especially the third and fourth quarters of this year and early next year.
- Carefully check ATM and bank transactions receipts and compare them to your monthly statement
- Order a copy of your credit report from one of the three major credit bureaus:  
*Equifax at 800-685-1111*  
*Experian at 800-682-7654*  
*TransUnion at 800-888-4213.*
- If you own a personal computer or home office product, check with the manufacturer to see if it is vulnerable to Y2K problems.
- If you decide to withdraw money because of Y2K concerns, make reasonable decisions based on solid information. Cash or other valuables in the house make good targets for thieves.
- Watch out for Y2K scams and be skeptical if someone offers a Y2K-proof investment. ■

*Tips Courtesy: Sacramento Bee, Inside Business, April 26, 1999, and information from the Federal Trade Commission Web site, the President's Council on the Year 2000 Conversion, Time Bomb 2000 by Edward Yourdon and Jennifer Yourdon*



# Diversification Ensures Safe, Successful Retirement Fund

By Patrick Mitchell, Chief Investment Officer

Your retirement benefits have never been more secure. This summer the California Teachers' Retirement System investment portfolio hit \$100 billion in market value. This tremendous growth is a validation of the Teachers' Retirement Board's policy of taking diligent action to balance safety and liquidity with an expectation of high investment returns.

As the Chief Investment Officer, I have written a series of articles describing the philosophy that the Teachers' Retirement Board sets forth in the CalSTRS Investment Management Plan. This plan guides the overall decision-making process concerning the Teachers' Retirement Fund investment portfolio. The foundation for CalSTRS' investment philosophy contains the cornerstones of globalization and diversification.

In the last *Bulletin*, I discussed globalization. Now I'd like you to understand the important role diversification plays in securing a rock-solid investment portfolio.

## Diversification Reduces Risk

Diversification is spreading out investments over a variety of asset categories to help cushion the bumps of a volatile capital market. These investment categories are: domestic stocks, international stocks, real estate and alternative investments.

In accordance with the management plan, CalSTRS keeps the investments in each category within a certain range to ensure a stable overall performance of the portfolio. Each month the categories are measured against the portfolio's total value. Action is taken, either buying or selling, when a particular category is above or below its targeted percentage of the total value.

Domestic stocks, for example, are targeted for about 38 percent of the total assets, while domestic bonds and international stocks have a 26 percent and 25 percent target respectively. Real estate and alternative investments are targeted at about 5 percent each, with cash making up 1 percent of the portfolio.

The success of the investment portfolio is partly the result of excellent investment returns, it is true. However, the substantial improvement in the California economy deserves credit as well. What happens if the economy is not so robust? We still want a safe and secure investment fund. It is in the bad times when diversification is important.

The CalSTRS' investment portfolio response to the recent



**CalSTRS Celebrates Milestone**  
The cakes say it all: CalSTRS \$100 Billion Strong. That was the message when the board and CalSTRS staff took time at the September board meeting to celebrate the Teachers' Retirement Fund hitting the \$100 billion mark.

Governor Gray Davis recognized the good news by proclaiming September 1 as Teachers' Retirement Financial Security Day. Getting ready to cut the cakes are, from left, CalSTRS Chief Investment Officer Patrick Mitchell, Investment Committee Chair Gary Lynes, Board Chair Emma Zink and Chief Executive Officer James D. Mosman.

volatility in the domestic equity market illustrates and validates the need for diversification.

During the past twelve months, the domestic equity market was more like a roller coaster than an investment vehicle. Interest rates couldn't decide if they should plod along or race to unexpected highs or lows. In the third quarter, the domestic equity market was one of the worst performing of CalSTRS' asset

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## Home *continued from page 1*

CalSTRS-affiliated lender in almost any California community. Current lenders are listed below.

To qualify for a CalSTRS home mortgage loan, your home purchase or refinance must meet several conditions, including:

- the home you plan to purchase must be your principal residence
- the home must be located in California
- your mortgage loan amount cannot exceed \$350,000
- any loan that is for 80 percent or more of the cost of the home must have private mortgage insurance

The CalSTRS home loan program offers you choices on terms and home types you can purchase. You can obtain a mortgage loan for 15-year or 30-year terms on fixed-rate loans to purchase a:

- single-family dwelling
- two-family dwelling
- three-family dwelling\*
- four-family dwelling\*

- single-family cooperative apartment
- single-family condominium

Your CalSTRS home mortgage loan will have a competitive interest rate. You will also have the ability to lock in the lowest interest rate available on either:

- the date your application is accepted or
- the date of lender approval or
- the date your escrow documents are drawn

### No Points, No Fees is New

CalSTRS offers a “no points, no fees” option in which you can borrow up to 95 percent of the price of the home and:

- CalSTRS pays all non-recurring costs
- you pay only 5 percent down and pre-paid interest charges and property taxes
- your loan interest rate is competitive

**Your CalSTRS home mortgage loan will have a competitive interest rate.**

### More Information

Visit the CalSTRS Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov) for more information on the CalSTRS home loan program, including an up-to-date list of lenders participating in the program. At the home page, select Benefits and Programs, then select Home Loans.

*More mortgage loan organizations are being added each month to the CalSTRS lender list. For an up-to-date list of participating lenders, check the CalSTRS Web site. ■*

\*The maximum loan-to-value amount for three-family and four-family dwellings is 90 percent.

## Current Lenders

### Bank of America

See your local branch

### California Coast Credit Union

1-619-495-1600

### Countrywide Home Loans

1-800-877-LOAN (5626)

### CU Mortgage Corp.

1-800-576-3577

### First Mortgage Corp.

1-877-595-1998

### Lancaster Mortgage Services Inc.

1-800-404-0536

### Marina Mortgage Co. Inc.

1-800-860-4065

### Mission Federal Credit Union

1-858-546-2039

### Orange County Teachers'

### Federal Credit Union

1-822-462-8328

### Norwest Mortgage Corp.

1-800-317-3601

### The Golden 1 Credit Union

1-916-732-2828

# New “Gateway” Option Eight Allows Multiple Beneficiaries

## What is an Option?

You receive a service retirement allowance based on your age at retirement, your years of service credit and your final compensation. You may receive a disability allowance based on your final compensation. Unless you elect an option, you receive an unmodified allowance, which ends upon your death.

An option is a benefit program feature that allows you to spread your service or disability retirement monthly allowance over both your life *and* the life of another individual. If you wish to have a beneficiary receive a monthly income after your death, you may choose an option, which will modify your basic monthly allowance, generally to a lower amount. The amount of the modification depends on the option selected and your age and age of your option beneficiary. You can choose an option at the time of your retirement or when you are first eligible to retire (which is called a pre-retirement election of an option).

You will soon have a new way of providing for your survivors. Beginning

January 1, 2000, CalSTRS' new option eight takes effect. Option eight is a “gateway” option that opens the door to better estate planning. It allows you to more closely tailor your retirement plans to your needs and the needs of your family or dependents.

## Option Eight is Flexible

Previously, when you were making plans to retire, or making a pre-retirement election of an option, you could select only one option and designate only one option beneficiary to receive a monthly allowance after your death.

Now the “gateway” option eight allows you to name more than one option beneficiary and select a different option and

allowance percentage for each option beneficiary. This is useful if you need to provide continued income for more than one surviving dependent, including a current and an ex-spouse.

If you choose option eight, you *must* designate more than one option beneficiary. Under option eight, you may choose from option two through option seven for each option beneficiary and you can designate different option beneficiary allowance percentages. However, you can choose only one option for each option beneficiary.

**Example 1:** Jim is about to retire at age 62 with a CalSTRS retirement allowance of \$4,000. Jim does not choose an option beneficiary and receives the *unmodified* allowance of \$4,000 a month.

**Example 2:** Jim is about to retire at age 62 with a CalSTRS retirement allowance of \$4,000. He names his wife Kathy as his option beneficiary and they choose option two for her. Jim's modified monthly allowance amount is \$3,156 throughout his retirement. Upon Jim's death, Kathy's monthly income would be the same, \$3,156, under the provisions of option two.

**Example 3:** Option Eight Jim, is about to retire at age 62 with a CalSTRS retirement allowance of \$4,000 a month and he uses *option eight* to assign his retirement allowance. Jim chooses to assign 60 percent of his allowance to his wife, Kathy, age 52, under option three; 20 percent

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to his sister Judy, age 50, under option two; and 20 percent to his brother Ed, age 60, under option seven. Jim will receive \$3,546.64 each month for life. Upon Jim's death, Kathy would receive \$1,088.16 each month; Judy would receive \$631.20 each month; and Ed would receive \$369.56 monthly. If Jim's wife or sister predeceased him, Jim's monthly allowance would stay the same; but if Ed predeceased him, Jim's allowance would rise \$60.88, to a monthly total of \$3,607.52, because of the terms of option seven, in place for Ed.

### Where to Get Information

☎ Call CalSTRS Teletalk system—see page 16 for telephone numbers

📁 Select the *Forms Ordering* option and request the *Option Eight Information Packet*, PSO 2047. The packet contains more information on option eight and a worksheet and charts that enable you to make your own option eight calculations.

📁 Select the *Teletalk Message* options

- ① 109 Community Property Settlements
- ① 353–360 describe options two through seven
- ① 361 option eight
- ① 466 option eight and disability retirements

✉ Write to CalSTRS—see page 16 for CalSTRS address

🌐 Browse CalSTRS Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov). ■

## OPTION EIGHT Commonly Asked Questions and Answers

**Question:** *Will the ages of my option beneficiaries affect the amount of my allowance?*

**Answer:** Yes. The calculation of your modified allowance reflects the option beneficiaries' life expectancies (based on their current ages) because an allowance will be payable throughout the life of the member and, after death, the member's designated option beneficiaries. Therefore, the allowance available to the member must be reduced to support expected future payments.

**Question:** *May I keep a portion of my unmodified retirement allowance to remain unmodified, and a portion as modified designating two option beneficiaries?*

**Answer:** Yes.

**Question:** *May I change my mind and reselect an option or option beneficiaries prior to my retirement?*

**Answer:** Yes. You may cancel or change a pre-retirement election of options or option beneficiaries at any time before retirement, but an assessment will be calculated at the time of your retirement to pay for the time the option was in effect.

**Question:** *I intend to retire after December 31, 1999, but I haven't pre-selected a retirement option, although I did select an option on my retirement application and sent it to CalSTRS. May I choose option eight before my retirement effective date?*

**Answer:** Yes, but your election of option eight must be received prior to your retirement effective date.

**Question:** *May I choose option eight right now?*

**Answer:** The law specifies option eight will be in effect for persons who retire or select a pre-retirement election of an option on or after January 1, 2000. The law also provides for a "window period" for members who have a pre-retirement election of an option in effect on December 31, 1999. In these cases, a member may change the pre-retirement election of option two through seven to option eight, without the usual allowance reduction, if the change is made between January 1, 2000, and the earlier of June 31, 2000, or the member's retirement date.

**Question:** *I have already submitted my service retirement application. My retirement date is prior to January 1, 2000. May I change my retirement and elect option eight?*

**Answer:** No. If you wish to select option eight, the effective date of your retirement must be changed to January 1, 2000, or later. Your request to change your retirement date must be received by CalSTRS prior to your original retirement effective date. ■



# Managing Your Money is as Important as Earning It

## Workshops Show You How

### Set Goals, Get Financial Security

CalSTRS Financial Education Program workshops show members how to create a financial plan for the rest of their careers and their retirement years. Designed primarily for members who are at least ten years away from retirement, the four-hour workshop includes information on CalSTRS benefits, the basics of cash management, estate planning, investments and retirement planning, and Social Security as it applies to CalSTRS members.

Most workshops are held on a Saturday and each is about four hours long. Fees are \$20 for each member and \$10 for each guest. For a workshop in your area, please review the workshop schedule.

### Easy Registration

The 1999/2000 workshop season features two new methods to make it more convenient for you to register for a workshop. You can reserve online in a special section of the CalSTRS Web site, or you can call CalSTRS, talk with a registration technician and reserve

your spot directly. Both methods will allow you to:

- find out immediately if there is a space for you in the workshop
- receive an invoice promptly through the mail
- reserve your place in a workshop once CalSTRS receives your registration fee
- receive all your materials through the mail before your workshop date

### Web Site Reservation

When you are on the CalSTRS home page, click on the Financial Education Program workshop reservation link and go directly to the workshop reservation screen. Fill in the necessary information

and follow the instructions to send it electronically to CalSTRS. Upon receipt of your reservation, you will receive immediate e-mail confirmation of your transmission and of a spot for you in your chosen workshop. CalSTRS will also then send you an invoice through the mail. Upon receipt of your check, CalSTRS will mail you a reservation confirmation letter.

### Telephone Method

You may call Financial Education Program staff toll-free at (888) 394-2060. You will talk to a workshop technician who will reserve a spot for you in a work-

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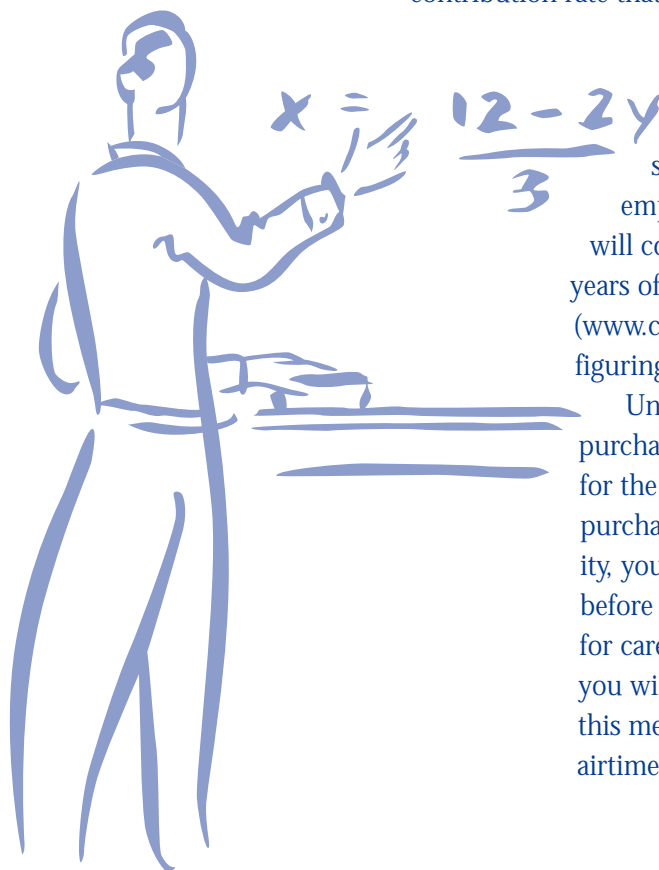
### Financial Education Program Schedule

11/06/99	Stockton	01/22/00	Indio
11/06/99	San Jose	01/22/00	Downey
11/06/99	Costa Mesa	01/29/00	Eureka
11/13/99	Pleasant Hill	01/29/00	Pleasant Hill
12/04/99	Santa Rosa	02/05/00	Fresno
01/08/00	Bakersfield	02/05/00	San Jose
01/08/00	Roseville	02/26/00	Carmichael
01/15/00	Santa Barbara	02/26/00	Redwood City
01/22/00	Ukiah		

shop and send you an invoice. Upon CalSTRS receipt of your registration fee, CalSTRS will mail you a workshop registration confirmation letter.

If attendance at a certain workshop is already full, the technician can discuss other suitable workshops with you. You may call from 8:00 a.m. to 4:00 p.m. Monday through Friday. If you wish to call outside these hours, you may leave a voice message and a CalSTRS technician will return your telephone call.

If you do not mail your registration fee check within three weeks of receiving your invoice, your reservation at a workshop in this popular program may be assigned to someone else. ■



## Service Credit Purchases One Way to Increase Allowance

**Y**ou can raise your retirement allowance by purchasing additional service credit, since it is one of the elements used in calculating your retirement benefit. Legislation passed this year may make such a purchase more attractive to you, depending upon your circumstances.

### Out-of-State Service Credit Formula Changed

You can purchase up to 10 years of service credit earned in a public retirement system for service covering public education in another state or territory of the United States. Beginning January 1, 2000, the method used to calculate the cost of this purchase will be the same as with other permissive service credit purchases, such as family care and medical leave, maternity and paternity leave and active U.S. military service.

The cost of service credit purchased after 1999 will be based on a percentage of compensation, rather than based on age, compensation and years of service, as at present.

To figure the cost of the service credit purchase, multiply the number of years of credit you wish to purchase by your highest annual earnable salary of the last three years. Then multiply the result by the contribution rate, which is adjusted periodically by the Teachers' Retirement Board. The contribution rate that took effect July 1, 1999, is 15.758 percent.

### Airtime Formula Remains

CalSTRS members with at least five years of service credit may purchase up to five years of service credit not connected to any specified prior employment. This nonqualified service credit, or "airtime" will continue to be calculated on age, compensation and years of service credit. The CalSTRS Web site ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)) has a cost estimator to assist you in figuring the cost of nonqualified service credit.

Under legislation approved this year, airtime that is purchased after 1999 cannot be used to determine eligibility for the career bonus. If, however, in 1999, you want to purchase airtime that will count toward career bonus eligibility, you will have to make at least one installment payment before January 1, 2000. Keep in mind the cost of airtime for career bonus eligibility will reflect the increased allowance you will receive over the years thanks to the bonus. Generally, this means an increase of thousands of dollars to the airtime cost. ■

# Cash Balance Corner

## Program Shows Steady Gains

The Cash Balance Benefit Program continues to make solid progress in all areas—adding participants, employers and contributions at a fast pace. As of June 30, 1999, the CB Benefit Program had 6,437 participants, an 87 percent increase from the year before. Since its inception, the CB Benefit Program has received over \$5.1 million in contributions.

Currently, 21 school districts and county offices have passed resolutions to offer the program. More districts are joining the program each month. Employers currently offering the CB Benefit Program are listed below.

## Who Benefits From the Cash Balance Benefit Program?

The Cash Balance Benefit Program is designed for educators whose basis of employment is less than 50 percent. Your eligibility is determined by your basis of hiring, or your contract, rather than the number of hours you work. If you are hired to work on an hourly basis, without a contract for K-12, Adult Education, a Regional Occupational Program or at one or more community colleges, and your employer offers the program, you can participate in the CB Benefit Program.

## Participating Employers

Your employer must agree to offer the CalSTRS CB Benefit Program. As of October 1, the following employers offered the CB Benefit Program.

### School Districts or Offices

- Berkeley Unified SD
- Grossmont Union High SD
- Robla Elementary SD
- West Contra Costa USD
- Contra Costa County Office of Education
- Montgomery Elementary SD

### Community College Districts

- Antelope Valley
- City College of San Francisco
- El Camino
- Fremont-Newark
- Mira Costa
- San Jose-Evergreen
- Sonoma County Jr.
- Yuba
- Chabot-Los Positas
- Contra Costa
- Foothill-De Anza
- Glendale
- Peralta
- Solano
- Ventura County

## More Information?

If you want more information on the CalSTRS CB Benefit Program, Call CalSTRS Public Service Office (see page 16 for telephone numbers). Browse the CalSTRS Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov).

## Diversification *continued* from page 6

categories, but in the fourth quarter, it was one of the best performers. Despite the volatility in investment categories, the CalSTRS investment portfolio placed, in both quarters, in the top third of all pension plans nationally.

## Diversification Has Critics

One complaint many people have about the idea of a broadly diversified investment portfolio is that it lacks imagination and insight. Mechanical models specifying strategic allocation percentages in asset categories stifle creativity and individuality. Critics of diversification point out that if one could correctly predict the direction of the stock market, substantial returns could be generated. However, 1998 proved that even the smartest professionals could not anticipate changes in the capital market, which caused some of the most respected investment firms to end the year with massive losses.

## Diversification Works for CalSTRS

Diversification works well for CalSTRS serving as a prime reason for the Teachers' Retirement Fund's outstanding portfolio success. Diversification allowed the CalSTRS investment portfolio to hold a substantial amount of equity-related securities without undue exposure to excessive volatility. ■



# BULLETIN BOARD



## The Real (CalSTRS) Thing!

CalSTRS has received reports of private companies and individuals misrepresenting themselves as employees or representatives of CalSTRS. Their intention is to gain access to members in order to sell them financial and insurance products.

These companies typically approach employers with an offer to conduct a conference, seminar or workshop to explain CalSTRS retirement and option benefits. Often they use employer facilities and conduct their meetings just after work hours on school sites. "Interest cards" are sometimes distributed at employer-sponsored events offering private and group information sessions on CalSTRS benefits to anyone who completes the card. These companies may even say they are from CalSTRS and display materials that look similar to CalSTRS materials.

Please do not be fooled. If you suspect that an individual who claims to represent CalSTRS is not legitimate, ask for their full name and title, and then call CalSTRS to verify the claim.

(Taken from *CalPERS Perspective*, December 1998)

## Members Can Purchase Service Credit for Military Service

If you interrupted your career in education to serve on active military duty or as a reservist or member of the National Guard, you can purchase CalSTRS service credit to cover the period you were away. You must pay the member portion of contributions to purchase service credit, and your employer would pay the employer share. You must be employed by the same employer *after* military service as before, and there is a five-year limit on the cumulative length of absence from a position of employment covered by CalSTRS.

If you think you may qualify to purchase CalSTRS service credit for military service that interrupted your education career, contact your employer for more information.

## Web Site Additions

CalSTRS is busy adding features and updating existing items on the Web site. You can:

- > use an online estimator to determine your cost to purchase nonqualified service
- > review the progress of the health benefits study
- > review CalSTRS Cash Balance Benefit Program, including districts that offer the program, and download Cash Balance forms directly to your computer
- > catch up with the effort to defeat mandatory Social Security for newly hired educators
- > review the expanded home loan program, including a complete list of lenders
- > schedule a Financial Education Program workshop

CalSTRS recently received recognition from *Pensions & Investments* magazine as one of the best Web sites for information on member programs, including the CB Benefit Program.

Browse the CalSTRS Web site and discover more at [www.calstrs.ca.gov](http://www.calstrs.ca.gov)

## Lump-Sum Amounts Increased

The CalSTRS Defined Benefit Program provides benefits to survivors of members who die. A lump-sum death payment, which is taxable, is payable to the member's designated beneficiary(ies). Periodically, the lump-sum amounts are adjusted by the Teacher's Retirement Board.

Recently the board adjusted these benefits, effective July 1, 1999. For members covered under Coverage A, the new lump-sum death benefit amount is \$5,598. The amount is the same whether the member dies before or after retirement.

For members covered under Coverage B, the new lump-sum benefit amount is \$22,394 for members who die before retirement. If the member has retired, the lump-sum death benefit is \$5,598.



# State Legislative Session Year-End Wrap Up 1999

This Legislature has completed its work for the year. All of the following bills have successfully moved through the Legislature and, except where otherwise noted, were signed into law.

If legislation becomes law, the benefits will become effective on January 1 of the next year, unless the bill provides otherwise. Unless indicated otherwise, any benefit change will apply only to members who retire after the effective date of the bill.

## Assembly Bills

### **AB 311 Honda vetoed**

Adds three new elected members to the Teachers' Retirement Board, commencing January 1, 2001.

### **AB 335 Mazzoni Chapter 40, Statutes of 1999\***

Effective immediately, extends the earnings limitation exemption to retired teachers who returned to the classroom due to the Grade 9 Class Size Reduction program and future expansions of the class size reduction programs.

### **AB 819 PER&SS Chapter 165, Statutes of 1999\***

Establishes the Replacement Benefits Program in compliance with federal law and rescinds the election CalSTRS made exempting certain members from existing federal limitations on benefit payments. The bill also requires CalSTRS to restore benefits to certain members previously limited by federal law.

### **AJR 9 PER&SS—Resolution Chapter 40, Statutes of 1999\***

Memorialized the President and the Congress of the United States not to require mandatory Social Security coverage on noncovered state and local government employees in any Social Security reform legislation.

## Senate Bills

### **SB 159 Johnston Chapter 740, Statutes of 1999\***

An urgency measure that requires CalSTRS to develop a program to provide health care benefits for members, beneficiaries, children and dependent parents. Implementation of the program would require enactment of a subsequent statute.

### **SB 437 Rainey Chapter 432, Statutes of 1999**

Restores benefits paid in the future to a surviving spouse of a deceased CalSTRS member if the surviving spouse previously lost

entitlement to survivor benefits due to remarriage prior to October 16, 1992.

### **SB 713 Burton Chapter 632, Statutes of 1999\***

Establishes minimum annual allowances. See page 1.

### **SB 833 Ortiz vetoed**

1999 benefits to 1998 retired members. See page 1. ■

*\*Board sponsored or co-sponsored bill.*

*Note: Other bills affecting CalSTRS benefits will be considered by the Legislature next year. The CalSTRS Web site ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)) is updated with current information on such legislation, as well as the final disposition of bills enacted this year.*

# Concurrent Retirement Available to CalSTRS Members

**W**hen you make plans to retire with CalSTRS, if you have also worked under certain other California public retirement systems, you may want to plan to retire at the same time, or concurrently, from both systems. (See below for applicable retirement systems.) If you do so, you may take advantage of two CalSTRS concurrent retirement features: your combined years of service credit from both systems may be used to meet eligibility requirements for retirement from each system and your highest salary from either system may be used to calculate your retirement allowances from both systems.

## Minimum Service Credit Met from Both Systems

Normally, you must meet the age requirement and have at least five years of CalSTRS service credit, or become vested, to receive a monthly retirement benefit. To retire concurrently with CalSTRS and another California system, once you meet the minimum age requirement for each retirement system, you may have less than five years of CalSTRS service credit if you have met the service credit requirements for concurrent retirement for all systems.

**Example** Steve has four years of credited CalSTRS service and had previously worked under a county retirement system for 20 years. Although he is not yet vested with CalSTRS (because he does not have at least five years of service credit), he wants to retire at age 53. Based on his service under the county system and CalSTRS, he can retire with monthly allowances from both systems. He can retire at age 53 from the county retirement system. At age 55, he can retire from CalSTRS, provided he has not accumulated service credit with either system between his two retirement dates.

## Highest Salary from Either System Used in Calculation

In addition to being able to “piggyback” on the service credit you earned in another system, you can use the highest salary you received under another system for your CalSTRS retirement allowance calculation, if it was higher than the highest applicable salary you got under CalSTRS.

For most members, to calculate your monthly retirement allowance, CalSTRS normally uses the highest 36 consecutive months of compensation earnable during

your years as a CalSTRS member. If you retire concurrently with CalSTRS and another system, CalSTRS will use the highest consecutive 36-month compensation rate for service performed in either retirement system, whichever is higher, to calculate your CalSTRS retirement allowance.

To retire concurrently under CalSTRS and another California public retirement system, you must have reached the minimum retirement age for each retirement system. You must also meet the service credit requirements for

**To retire concurrently under CalSTRS and another California public retirement system, you must have reached the minimum retirement age for each retirement system.**

concurrent retirement for each system. You must contact each retirement system for clarification on their specific service credit requirements.

## Other California Public Retirement Systems

Other public retirement systems for which service credit and salary can be used when you retire concurrently are:

- California Public Employees' Retirement System
- Legislators' Retirement System
- San Francisco City and County Employees Retirement System

• continued on page 16



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## How to Reach Us

### Write CalSTRS at:

California State Teachers'  
Retirement System  
P.O. Box 15275  
Sacramento CA, 95851-0275

### Call CalSTRS Public Service Office:

800-228-5453  
916-229-3870  
916-229-3541 for TDD

### Browse CalSTRS Web site at:

[www.calstrs.ca.gov](http://www.calstrs.ca.gov)

When contacting CalSTRS, be sure to  
include your Social Security number.



## Concurrent *continued from page 15*

- University of California Retirement System
- 1937 Act County Retirement Systems—includes the following counties: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura.

### Contact New Retirement System Upon Separation from CalSTRS

If you are considering leaving CalSTRS employment to work for an employer under one of the other retirement systems, you must contact that system within six months of leaving CalSTRS employment to begin the process that will enable you to retire concurrently from both systems in the future.

### Have Questions?

If you have questions regarding concurrent retirement from CalSTRS and one or more other California public retirement systems, contact the CalSTRS Public Service Office for CalSTRS information. See above for CalSTRS telephone numbers.

*Note:* For information regarding another public retirement system of which you have been a member or to determine if you are eligible for benefits under its regulations, please contact the other system. ■